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TO: ALL APPRAISERS AND LENDERS

SUBJ: RESPONSIBILITY FOR EXISTING PROPERTY CONDITION

1. **PURPOSE.** This is to remind all Loan Guaranty program participants of their specific responsibilities in helping to ensure that existing homes which become the security for VA-guaranteed loans are safe, structurally sound and sanitary. Current VA requirements should protect the interests of veterans, lenders and the Government, in this respect, when the following roles are responsibly fulfilled.

2. PROGRAM PARTICIPANT ROLES AND RESPONSIBILITIES

- **Real Estate Sales Person.** State laws requiring seller disclosure about the condition of the property and the use of sales agreement clauses regarding the buyer's right to inspect the property, generally provide home buyers with valuable information early in the purchase process. Since VA appraisals are not intended to be property inspections, sales persons must not state or imply that VA will inspect the property or make the seller repair any problems that may exist.
- **Fee Appraiser.** VA appraisals are not intended to be property inspections. However, fee appraisers are experienced observers who are required to view both the interior and exterior of the property to determine its overall condition and recommend any readily observable repairs necessary to make it meet the Minimum Property Requirements (MPRs) stated in the VA Lender's Handbook.
- **Lender.** The lender must ensure that the veteran is fully identified on the VA appraisal request in every case in which a veteran is under contract to purchase the property at the time of the request. In cases processed under the Lender Appraisal Processing Program, the lender's staff appraisal reviewer (SAR) must send the veteran home buyer a copy of the appraisal report and a notice of value. The notice of value must include a list of any MPR-related repairs to be made to the property and information about the veteran's responsibility regarding the condition of the property. Since this information is of most value to the veteran early in the home purchase process, it must be sent within five business days of the SAR's receipt of the appraisal report. In every case, the lender must ensure that any requirements listed on the notice of value, including MPR-related repairs, are acceptably satisfied.
- **Veteran Home Buyer.** The veteran's responsibility regarding the condition of the property is stated in VA pamphlets and in bold print on the notice of value for each property. As must be stated in the SAR's notice of value to the veteran:

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“The VA appraisal was made to determine the reasonable value of the property for loan purposes. It must not be considered a building inspection. Neither VA nor the lender can guarantee that the home will be satisfactory to you in all respects or that all equipment will operate properly. A thorough inspection of the property by you or a reputable inspection firm may help minimize any problems that could arise afterloan closing. In an existing home, particular attention should be given to plumbing, heating, electrical and roofing components. REMEMBER: VA GUARANTEES THE LOAN, NOT THE CONDITION OF THE PROPERTY.”

The fact that a veteran is adequately informed of this responsibility in a timely manner may help limit other program participants' legal liability regarding the condition of the property.

3. ACTIONS

- Real estate salespersons, VA fee appraisers and lenders should ensure that what is required of them, as outlined above and in the VA Lender's Handbook, is accomplished in every VA home loan transaction in which they are involved.
- This information may be used by program participants for any appropriate purpose. For instance, real estate sales persons may wish to include a copy as an addendum to purchase agreements in sales involving VA financing.
- VA will provide a copy of this information to any veteran who experiences problems with a recently purchased existing home. It should help them (or their legal counsel) assess responsibility for the problems and any recourse they may have.
- VA is strengthening its quality control process and will continue to take appropriate administrative action against program participants who fail to meet Loan Guaranty program requirements.



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Loan Guaranty Officer